



retiring

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Retirement. It isn't what it used to be.
Today it's full of possibilities... and challenges.

You probably have
high expectations for
your own retirement.

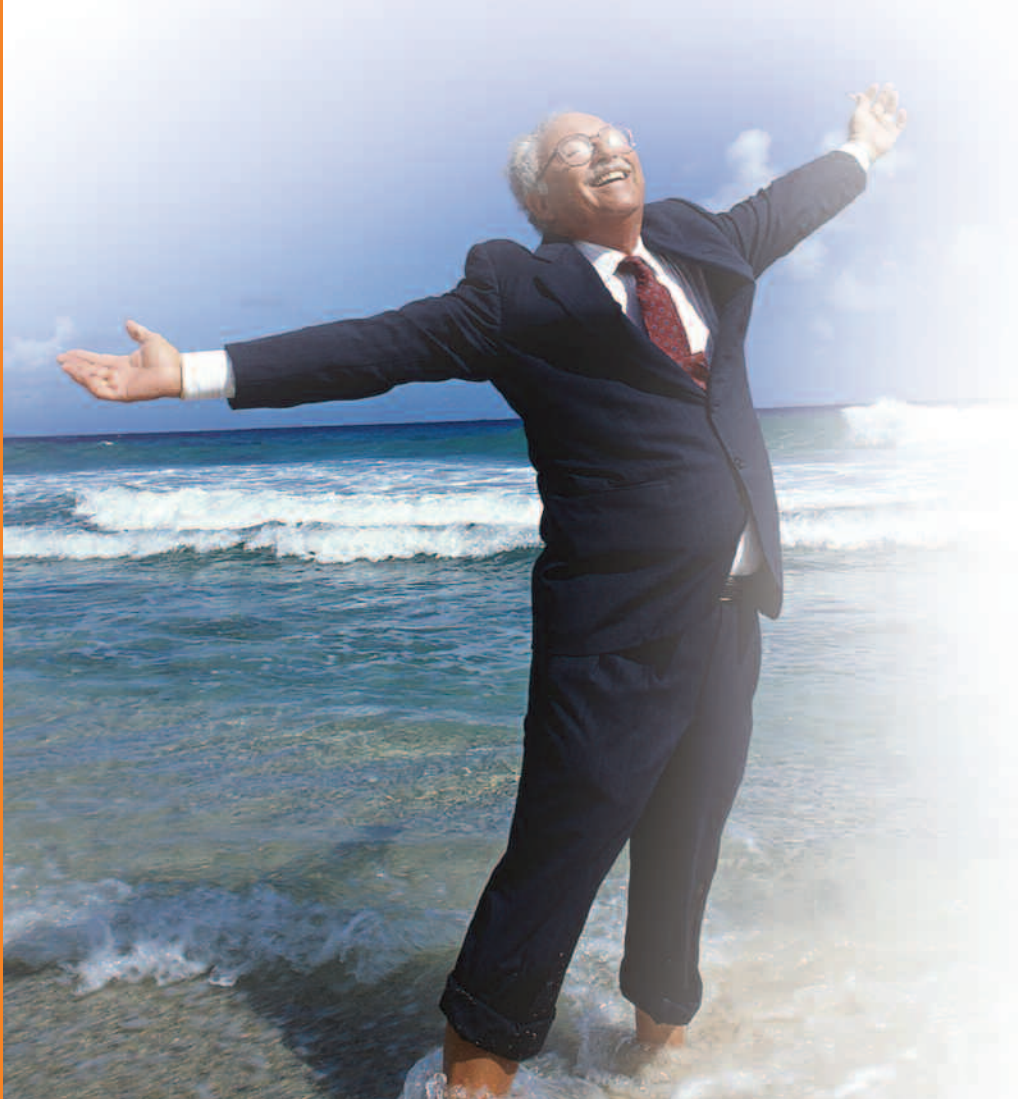
Today, you can expect retirement to last far longer than it probably did for your own parents. With life expectancies extending every year (currently at 74.7 for men and almost 80 for women¹), the average retirement at age 65 can last 15 years or more. For most folks, that's far too long to sit back and watch the world go by. You probably have high expectations for your own retirement...

the chance to really delve into an occasional hobby or interest, work on that golf handicap, explore the world (or maybe your own backyard), go back to school or start an entirely new career.

Chances are you also have concerns and questions. Keep or sell the house? Remain in the same community or move on to new vistas? What steps can you take to maintain your health so you can enjoy your retirement years?

Whatever your expectations and whatever your questions and concerns, information and careful planning can help you manage your retirement and make it everything you want it to be.

¹ Administration on Aging, "Life Expectancy Continues to Grow," March 2004.



The psychology of retirement

Now's the time to explore your own hobbies and activities and plan how to pursue your interests in retirement.

Retirement is a tremendous lifestyle change. No matter how long you've looked forward to giving up the grind, you'll want to fully explore the personal changes it will bring.

Right now, you probably spend at least as much time with your co-workers as you do with your own family. Work associates form a support network for most of us, on both a personal and professional level. You see the people you work with every day and probably talk to them about far more than the job. Retiring from work means leaving day-to-day contact with a group of individuals who form part of the pattern of your life. You need to consider the impact of this, and think about other ways to stay active and involved.

Now's the time to explore your own hobbies and activities and plan how to pursue your interests in retirement. If you need social contact, consider joining groups or clubs for people with similar interests. Book clubs, supper clubs, cooking classes, aviators associations, walking groups, courses at a local college or university, travel groups, aerobics classes, gyms... all can help keep you in touch, both now and in retirement.

Asking your local senior center for a list of sponsored activities and groups is a good place to start.

Make a list of your interests and activities and ask your spouse to do the same. Then prioritize those you'd most like to explore – by yourself or with your spouse. Think about your financial situation and which activities make the most sense from an economic standpoint.

Maybe a second career or part-time job is part of your plan. If so, take the time now to research and make sure it's something that you want to do and would make you happy. Opening a little shop by the sea or running a bed-and-breakfast may sound like heaven, but be sure you know how much time and capital your second career is likely to require. A part-time consulting job might be just what you need to keep busy, but you should be prepared for how an outside retirement income will affect your Social Security benefits.

The important thing is to consider the impact retirement will have on your lifestyle before you retire. Many retirees suffer the stress of inactivity and sudden lifestyle change because they haven't planned. Thinking about it now is the best way to make sure you enjoy your retirement when it happens.



Where you'll live

Stay in the house where you've raised the family? Sell it for a smaller house or condo in the same community? Pack up and move across the country?

Where you live – your community, your home, your friends – has a tremendous impact on the quality of your life. You'll want to think about personal, practical and financial considerations when deciding where you'll live in retirement.

Personally. Consider your attachment to your community. Are you actively involved in civic activities? Have you stayed in the same town for many years – or all your life – because you're so comfortable there? Where is your family located? Are they two houses down or halfway across the country? How strongly do your family and friends figure in your plans for retirement? If moving is your retirement dream, you may want to test the waters of your chosen locale by renting a home there for a year before you actually take the plunge. Visiting on vacation is much different than living in an area full-time.

Practically. Is the house getting too big to manage, or do you want to maintain it as a gathering place for special occasions and family holidays? Have you always wanted more space to garden, or is keeping up the yard too much of a chore these days? If you do choose to move, a smaller house, an apartment or condo, or retirement community may be right for you. There are a wide variety of retirement communities, ranging from small subdivisions to virtual cities, all over the country. Many offer access to a wide range of activities, meals, house-keeping services and even provide facilities for medical and long-term care later.

Financially. Your home (if you own it, or most of it) is probably one of your most substantial assets. If you do decide to sell it, and if you've lived there for two of the past five years, you'll pay no capital gains taxes on up to \$250,000 (\$500,000 for married couples) of its appreciation over your original purchase price – a tax-break Uncle Sam allows only once every two years. What's more, the purchasing points you pay on a new residence during the first year are tax-deductible, as is the interest you'd pay on a new mortgage or home equity loan.

Think about personal, practical and financial considerations when deciding where you'll live in retirement.



Health and aging

Pay close attention to the fundamentals of good health: exercise, diet and regular medical care.

Whether you consider it a white elephant or home sweet home, your house and its upkeep are an important part of your financial planning for retirement.

Taking care of your retirement means more than financial planning. It also means taking care of your health – one of your most valuable assets.

Now, more than ever, it's important to pay close attention to the fundamentals of good health: exercise, diet and regular medical care.

Experts say that you should participate in some kind of physical activity at least four or five times a week. It doesn't have to be strenuous, simply something to get your heart and lungs pumping and your muscles moving. Ease into it slowly – and consult your physician – especially if exercise isn't something you're normally used to. Take long walks, bike rides, swim, ask the fitness expert at your local gym to design a workout program for you. If you're already running three miles a day, keep it up and congratulate yourself for your health sense.

Many people discover that their digestive systems become more sensitive as they age. Good nutrition – never something to take lightly – becomes increasingly important the older we get. Finding, eating and cooking good food has never been easier. If you're not already doing so, explore some healthy alternatives to poor eating habits.

Proper medical attention increases in importance, too. With longer life spans we also have greater chances of suffering diseases and conditions associated with aging. Regular medical care can mean earlier diagnosis and treatment – and better quality of life during your retirement years.



Medical insurance and long-term care

When you retire, you may or may not be eligible for continuing health insurance benefits from your employer. It's important to do your homework and understand your health insurance options.

Medicare is the government's health insurance program and you're eligible for it when you turn 65. If you apply for Social Security when you turn 65, you automatically apply for Medicare as well. If you wait for Social Security, but want Medicare coverage, you'll have to apply separately. Another important consideration is early retirement – you'll be able to continue on your employer's health insurance plan for 18 months under COBRA. Unless you turn 65 during those 18 months, you could face a gap in health insurance coverage.

Medicare Part A covers hospitalization, limited post-hospital, skilled nursing home care, home health care and hospice care. Part B, available for a monthly premium, covers physician's services, inpatient and outpatient medical services, outpatient hospital care and diagnostic tests. (Unless you specify that you don't want Part B, you'll be enrolled when you enroll for Part A. The premiums for Part B will come directly out of your Social Security benefits.)

Another gap in Medicare coverage is long-term care. It may be down the road, but chances are greater than ever that you or your spouse will need to spend an extended period in a nursing home. And Medicare may not cover it.²

Unfortunately, 45 percent of Americans who turn 65 this year will require nursing home care at least once in their lifetime. About one-half of those admitted to nursing homes stay less than six months. A stay at a nursing home costs between \$25,000 and \$30,000 a year – sometimes as much as \$50,000.³ Consider your ability to write monthly checks for amounts between \$2,000 and \$5,000 – for a period of years – before you turn your back on long-term care insurance. And remember that the younger you are when you apply for this kind of coverage, the lower your monthly premiums will be. Your employer may offer it as a supplemental benefit and it's also available through local insurance agents and many financial planners.

Chances are greater than ever that you or your spouse will need to spend an extended period in a nursing home.

² www.medicare.com

³ "Protect Your Assets from the Catastrophic Costs of Nursing Home Care." Vijay Fadin. www.livingtrusts.net/nursing-care.html



Funding your retirement

Your retirement income will likely come from many sources: Social Security (if you're eligible), personal savings and investments, pensions, employer-sponsored retirement investment plans and any second career or part-time job you may choose. Experts estimate that you'll need about 70 percent of your pre-retirement income – lower earners, 90 percent or more – to maintain your standard of living when you stop working, though the choices you make about your retirement lifestyle will impact how much you actually do need.

Social Security was not designed to be the sole source of retirement income.

It is intended to provide only a basic financial foundation. The average benefit for a 65-year-old retiring in 1997 is \$745 per month. Today you're eligible for full benefits if you apply at age 65. Applying earlier will result in a decreased benefit (80 percent at age 62), while applying later will result in an increased benefit. If you choose to supplement your retirement income with employment, remember that your Social Security benefits will be cut. If you are younger than 65, \$1 in benefits will be deducted for each \$2 in earnings above a maximum limit. If you are 65–69, \$1 in benefits will be deducted for each \$3 in earnings above the limit.

Earnings in, or after, the month you reach age 70, will not affect your benefits. For an estimate of your Social Security benefits, call the Social Security Administration at 1-800-772-1213 to request form SSA-7004. Complete and mail the form. Six to eight weeks later, you'll receive a Personal Earnings and Benefit Statement Estimate.

401(k), Deferred Compensation, and Tax-Deferred Annuities are some of the most common types of employer plans. Maximizing your contributions to this type of plan continues to be a wise financial strategy as you near retirement. You'll need to consider how to best put that money to use in funding your retirement. Most plans offer you a variety of payout (distribution) methods and you'll need to investigate the tax consequences of each.

For example, many plans offer you the opportunity to annuitize on either a fixed or variable basis. Some annuity options pay for a specified period of time, for your lifetime, or for the lives of you and your beneficiary. Election of an annuity option is generally irrevocable. Once you've selected one, you generally can't access your principal, but they do provide the security of payments you can't outlive.

Systematic withdrawal is another option for many types of plan. You simply withdraw an amount based on your life expectancy (or the life expectancy of you and your beneficiary) at least once each year. Generally, you must be at least 59½ to take advantage of systematic withdrawals without federal tax penalties, but your financial planner or tax advisor can explain tax-advantaged arrangements for earlier withdrawals.

Of course, you also have the option to take your money and run off to retirement by taking a lump sum distribution, but

you'll want to carefully consider the tax consequences of this choice. First, if you're younger than 59½, you may face a 10 percent tax penalty for an early withdrawal. No matter what your age, 20 percent of your investment will be automatically withheld to cover your tax obligation on a distribution from a 401(k) or Tax Deferred Annuity. Finally, your withdrawal will be subject to tax as ordinary income in the year you receive it, as if you earned the entire amount in one tax year. A direct rollover from your employer's plan to an Individual Retirement Annuity or Account is one solution to avoiding these taxes and penalties. Consult your financial planner or tax advisor before taking a lump sum distribution.

Your other investments – savings accounts, mutual funds, Certificates of Deposit, stocks and bonds – may not be subject to such extreme tax penalties and consequences, but you should also consider how best to keep your money working for you for as long as you need it. With the possibility of retirement lasting 20 years or more, immediately transferring all your dollars to safe, low-return investments might not be the wisest course. You'll want to consider investing at least some of your assets in equity – or growth – securities. As a rule, investments with the greatest risk also offer the greatest potential for long-term reward. You might be grateful for the higher return potential by the time you reach age 85.

Providing for your heirs

You've spent a lifetime building your estate. In addition to funding a secure and happy retirement, one of your objectives may be to leave something behind for your heirs. Estate planning is critical to reducing the impact of taxes and probate on what you pass on to your loved ones.

Your estate is more than your financial resources. As far as the government is concerned, your estate consists of everything you own, including real estate, businesses, art, financial assets and face values of life insurance policies. The first step toward estate conservation is a will. A will makes sure your effects are distributed the way you want them to be... from making sure Johnny gets the old fishing reel to providing financial security for your spouse.

Today every individual is entitled to pass on up to \$1.5 million in assets, estate-tax-free (and the maximum increases over the course of the next few years). Both you and your spouse – each – are also allowed to transfer up to \$11,000 per year to any number of individuals, tax-free of federal estate and gift taxes. Tax Reform provisions passed in 2001 will, over a period of time, allow for a greater transfer of wealth to your heirs without taxes.

Transfers of wealth between spouses – from husband to wife, or vice versa – are exempt from federal estate taxes, no matter what the size of the estate.

Finally, a trust may be a solution, both in helping you reduce the impact of taxes on your assets and providing for your heirs. Technically, a trust is a legal arrangement under which one person or institution controls property given by another person or institution. A testamentary trust takes effect after probate on your death, while a living trust would be established while you are still alive. A life insurance trust, funded with the payment of a life insurance policy, is another trust solution to helping your heirs cover estate costs and taxes.

Estate tax exemption equivalent

2000 – 2001	\$675,000
2002 – 2003	\$1 million
2004 – 2005	\$1.5 million
2006 – 2008	\$2 million
2009	\$3.5 million
2010	unlimited

Unless changed by Congress before 2010, Estate Exclusion returns to \$675,000 in 2010.

One thing is certain...
you'll never have more
time to plan than you
do right now.

Finding the right solutions

You can do it yourself. You can work with others. You can procrastinate.

The decision is in your hands. You can take the time to plan your retirement activities, research a second career, join groups or clubs, exercise, eat right, have your annual physical... or not.

Help, advice and assistance are available from a wealth of resources – your employer, your accountant, your tax advisor, your financial professional, the senior center in your town, the Chambers of Commerce in retirement locations, your local library or the Internet and, of course, from ING – either in our local offices or on the Web. Contact us today.



**For more information
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Internet Resources

- www.bygpub.com/finance – *A comprehensive life insurance calculator to help you get a handle on your current life insurance needs*
- www.elderhostel.org – *Elderhostel, an organization providing Liberal Arts educational adventure programs for retirement-age individuals throughout the world*
- www.aarp.org – *The home page for the American Association for Retired Persons, one of the country's largest organizations, dedicated to providing resources and information for older Americans*
- www.retirement-living.com – *Retirement Living Online links to services, communities, products and organizations to help maintain quality of life in later years*
- www.chamber-of-commerce.com – *Directory of North American Chambers of Commerce, a quick reference to more information about a retirement community you may be considering*
- www.homefair.com/homefair/cmr/salcalc.html – *The Salary Calculator™ can help you compare the cost of living – as it relates to your own income – in various parts of the country.*

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